



FmHA AN No. 3017 (1951-S)
June 7, 1994

SUBJECT: Determining Value of Security by Loan

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide a Worksheet for use by County Supervisors to ensure that security is determined on a loan-by-loan basis, prior to entering this data into DALR\$. The intended outcome is to ensure that the level of security is determined correctly for each loan in accordance with FmHA regulations.

IMPLEMENTATION RESPONSIBILITIES:

The attached Worksheet may be used prior to processing a complete application for Primary Loan Servicing. An example of proper completion of the Worksheet is also attached. Section IX of Exhibit J-1 of FmHA Instruction 1951-S specifies that a major consideration of selection of loans for writedown by DALR\$ is collateral and security for outstanding loans. In order to determine security priority correctly prior to completing the DALR\$ entries, the attached Worksheet may be used. The completed Worksheet should be attached to the final DALR\$ printout and maintained in the borrower's case file.

If you have any questions, please contact Nancy J. Lewis, Farmer Programs Loan Servicing and Property Management Division, at (202) 690-2517.


MICHAEL V. DUNN
Administrator

Attachments

EXPIRATION DATE: May 31, 1995

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



WORKSHEET FOR VALUE OF SECURITY BY LOAN

DATE OF COMPLETE APPLICATION FOR SERVICING:

[illegible]

SECURITY PRIORITY:

(1) Low - These loans are unsecured. If FmHA loan security was liquidated, the proceeds would not be sufficient to result in a payment on this loan.

(2) **Medium** - These loans are undersecured. If FmHA security was liquidated, the proceeds would be sufficient to result in a partial payment on this loan.

(3) **High** - These loans are fully secured. If FmHA security was liquidated, the proceeds would be sufficient to pay this loan in full.

DATE OF COMPLETE APPLICATION FOR SERVICING:

2/12/94

[illegible]

(1) **Low** - These loans are unsecured. If FmHA loan security was liquidated, the proceeds would not be sufficient to result in a payment on this loan.

(2) **Medium** - These loans are undersecured. If FmHA security was liquidated, the proceeds would be sufficient to result in a partial payment on this loan.

(3) **High** - These loans are fully secured. If FmHA security was liquidated, the proceeds would be sufficient to pay this loan in full.

EXAMPLE DESCRIPTION:

1. The borrower applies for loan servicing on 2/12/94.

2. The security has the following market value:

1992 John Deere Combine	-	\$ 75,000
All Other Equipment	-	150,000
Real Estate, Tract 1	-	100,000
Real Estate, Tract 2	-	50,000

****All prior liens listed are nonFmHA prior liens.**

3. Loans and security are as follows:

(a) Loan 41-01, dated 2/10/78, has a remaining balance of \$25,000, and is secured by Real Estate Tract 1 only.

(b) Loan 41-02, dated 6/1/80, has a remaining balance of \$100,000, and is secured by ALL real estate.

(c) Loan 44-03, dated 1/10/84, has a remaining balance of \$50,000, and is secured by ALL equipment, excluding the 1992 JD Combine.

(d) Loan 44-04, dated 5/6/87, has a remaining balance of \$10,000, and is secured by the 1992 JD Combine ONLY.

(e) Loan 44-06, dated 2/4/90, has a remaining balance of \$120,000, and is secured by ALL real estate and ALL equipment, excluding the 1992 JD Combine.

(f) Loan 43-11, dated 2/5/93, has a remaining balance of \$260,000, and is secured by ALL real estate and ALL equipment, excluding the 1992 JD Combine.

4. The following results should be noted:

(a) Loans 41-01, 41-02, 44-03, and 44-04 are all fully secured and classified as HIGH security priority.

(b) Loan 44-06 is not fully secured, but has some security. Therefore, it is classified as MEDIUM since it is undersecured.

(c) Loan 43-11 has no equity in the security for the loan. Therefore, it is classified as LOW since it is unsecured.

(d) Although some loans are unsecured and undersecured, some equity remains in the 1992 JD Combine, since it serves as security for only one loan.